

City of Detroit

CITY COUNCIL

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Committee of the Whole Room • 1340 Coleman A. Young Municipal Center • Detroit, Michigan 48226

DETAILED NOTES

BUDGET, FINANCE AND AUDIT STANDING COMMITTEE

Ms. Millicent G. Winfrey
Asst. City Council Committee Clerk

COUNCIL MEMBER KENNETH V. COCKREL, JR. CHAIRPERSON

COUNCIL MEMBER BRENDA JONES, VICE CHAIRPERSON

COUNCIL MEMBER ANDRE L. SPIVEY, MEMBER

COUNCIL PRESIDENT CHARLES PUGH, (EX-OFFICIO)

Wednesday, February 29, 2012

1:00 P.M.

- A. **ROLL CALL – COCKREL, JR.; JONES – 2.**
- B. **APPROVAL OF MINUTES – MINUTES OF FEBRUARY 22, 2012 WERE APPROVED (Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)**
- C. **1:30 P.M. – DISCUSSION: Audit of the Finance Department, Treasury Division, April, 2009 – March, 2011 (Invitees: Auditor General, Mayor's Office, Finance Department – Treasury) COUNCIL MEMBER KENNETH V. COCKREL, JR.'S OFFICE WILL WORK WITH THE MAYOR'S OFFICE TO RESCHEDULE DISCUSSION AS QUICKLY AS POSSIBLE**
- D. **UNFINISHED BUSINESS**
1. Report on Gaming Tax Revenue activity through August, 2011 and prior fiscal years. (The city collected \$17.7 million in gaming tax revenue for the second month of the new fiscal year, which was 23% grater than the prior year August 2010. Chart 2 "Monthly Detroit Gaming Tax Collections" through a twelve-month average trend line shows positive growth, approximately 4.3% since last August, among the combined casino receipts, etc. Based on the existing data, we are currently projecting a deficit of \$19.47 million for the fiscal year.) (AWAITING THE FINANCE DEPARTMENT'S RESPONSE TO THE B.F.A.'S COMMITTEE FORWARDING OF THE TRIGGER LETTERS PREPARED BY THE LAW DEPARTMENT AS WELL AS ANSWERING WHEN BOTH WILL BE INTEGRATED INTO THE CASINO GAMING REVENUE COLLECTION PROCESS, BROUGHT BACK AS DIRECTED BY THE BUDGET FINANCE AND AUDIT STANDING COMMITTEE ON 02-22-12) PER ADMINISTRATION, FINANCE DEPARTMENT NEEDS ADDITIONAL TIME TO DETERMINE HOW TO INCORPORATE THE TRIGGER LETTER INTO A PROCESS FOR IMPLEMENTATION; BRING BACK IN TWO (2) WEEKS (Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)
2. Submitting memorandum from B.F.A. Chair Cockrel Regarding the Economic Vitality Incentive Program (EVIP) Phase II Shared Services Revenue Sharing and Incentive Grant Program (AWAITING RESPONSE FROM THE FINANCE DIRECTOR REGARDING COPIES OF THE EVIP CERTIFICATION SUBMISSIONS (PHASE I AND II) TO THE STATE OF MICHIGAN, BROUGHT BACK AS DIRECTED BY THE BUDGET, FINANCE AND AUDIT STANDING COMMITTEE ON 02-22-12) EVIP – CERTIFICATION OF CONSOLIDATION OF SERVICES AND PLAN RECEIVED AT THE TABLE; RECEIVE AND PLACE ON FILE (Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)

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3. Status of proposed ordinance to amend Chapter 18, Article X, of the 1984 Detroit City Code, Income Tax, by amending Section 18-10-4 to authorize the City, effective January 1, 2012, to levy and collect income tax on corporations at an annual tax rate of two percent (2.0%), etc. **(AWAITING ANSWERS TO QUESTIONS POSED BY CITY COUNCIL MEMBERS TO THE ADMINISTRATION, BROUGHT BACK AS DIRECTED BY THE BUDGET, FINANCE, AND AUDIT STANDING COMMITTEE ON 02-22-12) BRING BACK IN TWO (2) WEEKS, PER ADMINISTRATION; MS. CHERYL JOHNSON (GROUP EXECUTIVE) OF FINANCE DEPARTMENT WAS NOT AVAILABLE TO ATTEND COMMITTEE MEETING TODAY; PER COUNCIL MEMBER KENNETH V. COCKREL JR., NOTE THIS ORIGINALLY WAS ONE OF THE COMPONENTS OF THE MAYOR'S PLAN TO ADDRESS THE CITY'S FINANCES AND THE ORIGINAL GOAL WAS TO HAVE THIS APPROVED AND ACTUALLY ON THE BOOKS BY JANUARY 1, 2012 (Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)**
4. Submitting reso. autho. **Contract No. 2761395** - 100% City Funding – CHANGE ORDER NO. #5 – To Provide the Audit of the Comprehensive Annual Financial Report (CAFR) – KPMG, LLC, 150 W. Jefferson Avenue, Suite 1200, Detroit, MI 48226 – Contract Period: Upon City Council Approval through June 30, 2015.
- Contract Decrease:**
- March 1, 2012 till June 30, 2012 10% not to exceed \$1,971,455. APV
 - July 1, 2012 till June 30, 2015 20% not to exceed \$1,752,404. APV
 - These reductions apply to the billable hourly rates and are not to exceed the above totals.
 - The City of Detroit at its option can extend this agreement for (2) one-year extensions at the carry over rates.
 - The above agreement is being recommended as a Sole Source and is in the best interest of the City. This agreement has the support of the Auditor General Office, Fiscal Analyst, Finance Department and the Purchasing Division.

The rates and total cost have been benchmarked and is market competitive. Prior to the end of the base agreement (2015 F.Y.), the Purchasing Division will competitively bid this Scope of Service to determine if the City should extend this agreement for years 4 and 5. **(AWAITING COMMUNICATION BETWEEN THE CHAIR, THE OFFICE OF THE AUDITOR GENERAL AND THE CHIEF PROCUREMENT OFFICER, BROUGHT BACK AS DIRECTED BY THE BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-22-12) AUTHORIZE 03-06-12 FORMAL SESSION (Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)**

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5. **Follow-Up** on the Audit of Detroit Workforce Development Department Summer Youth Employment Program Funded by the American Recovery and Reinvestment Act. **(AWAITING ANSWERS TO QUESTIONS FROM THE B.F.A CHAIR ON THE PROGRESS OF ADDRESSING THE FINDINGS OF THE AUDIT PRESENTED IN NOVEMBER, BROUGHT BACK AS DIRECTED BY THE BUDGET, FINANCE AND AUDIT STANDING COMMITTEE ON 02-08-12) BRING BACK NEXT WEEK; STILL AWAITING RESPONSES IN WRITING** *(Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)*

E. NEW BUSINESS

CITY CLERK'S OFFICE/FINANCE DEPARTMENT-BOARD OF ASSESSORS

6. Submitting reso. autho. Applications for 161 Homestead Neighborhood Enterprise Zone Certificates for Various NEZ-H Approved Areas within Phase I and Phase II List #2012-01. **(The Applications have been reviewed and recommended for approval by the Finance Department - Assessments Division) (REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) AUTHORIZE 03-06-12 FORMAL SESSION** *(Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)*

CITY COUNCIL FISCAL ANALYSIS DIVISION

7. Submitting report relative to Review of the 2011 Comprehensive Annual Financial Report (CAFR) for the City of Detroit. **(As requested by Council Member Kenneth Cockrel, Jr., the City Council Fiscal Analysis Division has reviewed the 2011 CAFR, which was submitted to the State on time (by December 31st) for the second year in a row, etc.) (REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE REPORT; REFER TO ADMINISTRATION FOR RESPONSE IN WRITING TO CITY COUNCIL FISCAL ANALYSIS DIVISION'S AND COMMITTEE MEMBERS' QUESTIONS; SCHEDULE DISCUSSION MARCH 21, 2012 AT 1:45PM - (NOTES)** *(Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)*

FINANCE DEPARTMENT/PURCHASING DIVISION

8. Submitting report relative to Cumulative Weekly Reports for All Contracts Valued at \$5,000.00 - \$25,000.00 during February 6, 2012 through February 12, 2012. **(REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE** *(Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.)*
9. Submitting report relative to Cumulative Weekly Reports for All Contracts Valued at \$5,000.00 - \$25,000.00 during February 13, 2012 through February 19,

Wednesday, February 29, 2012

2012. **(REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE (*Jones made motion; Committee Members Cockrel, Jr. and Jones were in favor; Motion carried 2-0.*)**

F. PUBLIC COMMENT:

- a. Visiting Member Reports – **NONE.**
- b. General Public – **NONE.**

WALK-ON(S)/TALK-ON(S):

Council Member Cockrel, Jr.: Submitted “B.F.A. Standing Committee Discussion Calendar Amendment – Update” memorandum at table.

**WEDNESDAY, FEBRUARY 29, 2012 – LINE ITEM NO. 7
BUDGET, FINANCE, AND AUDIT STANDING COMMITTEE**

E NEW BUSINESS/CITY COUNCIL FISCAL ANALYSIS DIVISION

MMJ_____ Submitting report relative to Review of the 2011 Comprehensive Annual Financial Report (CAFR) for the City of Detroit. **(As requested by Council Member Kenneth Cockrel, Jr., the City Council Fiscal Analysis Division has reviewed the 2011 CAFR, which was submitted to the State on time (by December 31st) for the second year in a row, etc.) (REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE REPORT; REFER TO ADMINISTRATION FOR RESPONSE IN WRITING TO CITY COUNCIL FISCAL ANALYSIS DIVISION'S AND COMMITTEE MEMBERS' QUESTIONS; SCHEDULE DISCUSSION MARCH 21, 2012 AT 1:45PM – (NOTES)**

K. Cockrel, Jr.: I know we did have a Committee of the Whole on this recently, but there're some issues that I would actually like to follow up on. Specially, Mr. Corley, I know you pointed out a couple of things in your report that I think the Administration needs to respond to specifically on page 8. Do you a copy of your report handy?

Mr. Irvin Corley, Jr., Director, City Council Research and Analysis Division: Yes, I do.

K. Cockrel, Jr.: Can you basically recap, very briefly, the issues on that page that you say the Administration needs to respond to in writing?

Corley, Jr.: Thank you, Mr. Chair. AS OF JUNE 30, 2011, THERE'S A SIZEABLE LIABILITY TO WAYNE COUNTY IN REGARDS TO DELINQUENT PROPERTY TAXES. IT'S ABOUT \$88 OR \$90 MILLION DOLLARS. SO HOW WAS THE ADMINISTRATION ADDRESSING THAT? WHAT'S THE AGING OF THAT? HOW FAR BACK DO THOSE LIABILITIES GO? So that's a question. And then of course I guess the issue right now is the fact that we know there is an increase in the deficit of about \$41 million dollars from June 30, 2010 to June 30, 2011. The State needs an updated Deficit Elimination Plan. And as we know, the State has yet to approve the last one that was submitted back in November or so. SO, I WOULD IMAGE THAT THE ADMINISTRATION SHOULD BE WORKING ON A NEW DEFICIT ELIMINATION PLAN THAT NOT ONLY ADDRESSES THE INCREASE IN DEFICIT AS OF JUNE 30, 2011, BUT NOW WE KNOW THERE IS AN INCREASE IN THE DEFICIT FOR THE CURRENT FISCAL YEAR, SO THAT DEP SHOULD ALSO ADDRESS THAT AS WELL, SO THOSE ARE LIKE MY TWO MAJOR QUESTIONS. I have a slew of them here.

I guess my other thing throughout this is that the General Fund has made subsidies to the construction code, which is Buildings, Safety Engineering, and Environmental unbeknownst to City Council, so it's done during the closing process. When they prepare the CAFR, the subsidy from the General Fund to that Fund and it does not come to City Council for approval. This is the second year that I've noticed it. And so, you know, that's unfortunate. YOU KNOW, COUNCIL SHOULD BE MADE AWARE WHENEVER THERE'S A TRANSFER FROM GENERAL FUND GIVING THE STATE OF OUR GENERAL FUND, AS WE ALL KNOW, TO ANOTHER FUND TO KEEP IT AFLOAT.

K. Cockrel, Jr.: Right.

E NEW BUSINESS/CITY COUNCIL FISCAL ANALYSIS DIVISION
MMJ___ Submitting report relative to Review of the 2011 Comprehensive Annual Financial Report (CAFR) for the City of Detroit. (As requested by Council Member Kenneth Cockrel, Jr., the City Council Fiscal Analysis Division has reviewed the 2011 CAFR, which was submitted to the State on time (by December 31st) for the second year in a row, etc.) (REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE REPORT; REFER TO ADMINISTRATION FOR RESPONSE IN WRITING TO CITY COUNCIL FISCAL ANALYSIS DIVISION'S AND COMMITTEE MEMBERS' QUESTIONS; SCHEDULE DISCUSSION MARCH 21, 2012 AT 1:45PM – (NOTES)

Corley, Jr.: So that means that those fees in Buildings, Safety Engineering should be looked at. They should be either increased or somehow, the cost, need to be, you know, reduced in BSE-- to stop the transfers from General Fund. This is the second year in a row that I've noticed this, looking at the CAFR. So those are the major things, but I do have some other questions.

K. Cockrel, Jr.: Sure.

Corley, Jr.: AND I WOULD APPRECIATION IT IF ADMINISTRATION CAN ADDRESS THESE QUESTIONS IN THIS REPORT.

K. Cockrel, Jr.: Yes and I thought that those were important points that needed to be responded to as well. I also appreciated your comments about recommendation that agencies like Detroit Building Authority and also GDRRA should have their yearly audits come to this Committee so that they could be reviewed and discussed in the same way that we do with normal City departments.

Corley, Jr.: Yes, sir.

K. Cockrel, Jr.: I'm going to be looking to see this Committee try and incorporate that. But what I would like to as colleague is I think we need a couple of motions. **I'D LIKE A MOTION TO RECEIVE AND FILE THIS REPORT, BUT ALSO A MOTION TO SCHEDULE A DISCUSSION ON MARCH 21, 2012 ABOUT THE CAFR REPORT. BUT THAT DISCUSSION SHOULD REALLY BE FOCUSED ON GETTING THE ADMINISTRATION'S RESPONSE TO THE ISSUES THAT MR. CORLEY HAS RAISED. SO, I WANT TO GIVE THE ADMINISTRATION A COUPLE OF WEEKS TO DIGEST MR. CORLEY'S FINDINGS IN HIS REPORT, BUT I WANT THEM TO RESPOND IN WRITING TO THE POINTS THAT HE HAS MADE. WE NEED TO MAKE SURE THAT WE GET THAT IN TIME TO ACTUALLY HAVE THIS DISCUSSION ON THE 21ST AND THE THIRD MOTION SHOULD ACTUALLY BE TO SET ANOTHER DISCUSSION ON MARCH 28TH AT 1:45 ON GDRRA AND THEIR FINANCIAL STATEMENT, SO COLLEAGUE WOULD YOU BE WILLING TO MAKE A MOTION THAT ALLOWS US TO DO ALL OF THAT?**

Jones: ALSO, ALSO MADE.

E NEW BUSINESS/CITY COUNCIL FISCAL ANALYSIS DIVISION

MMJ____ Submitting report relative to Review of the 2011 Comprehensive Annual Financial Report (CAFR) for the City of Detroit. (As requested by Council Member Kenneth Cockrel, Jr., the City Council Fiscal Analysis Division has reviewed the 2011 CAFR, which was submitted to the State on time (by December 31st) for the second year in a row, etc.) (REFERRED TO BUDGET, FINANCE AND AUDIT STANDING COMMITTEE 02-28-12) RECEIVE AND FILE REPORT; REFER TO ADMINISTRATION FOR RESPONSE IN WRITING TO CITY COUNCIL FISCAL ANALYSIS DIVISION'S AND COMMITTEE MEMBERS' QUESTIONS; SCHEDULE DISCUSSION MARCH 21, 2012 AT 1:45PM – (NOTES)

K. Cockrel, Jr.: Alright. IT HAS BEEN MOVED. HEARING NO OBJECTIONS, THAT ACTION WILL BE TAKEN. Thank you very much.

Millicent Winfrey



City of Detroit
CITY COUNCIL

KENNETH V. COCKREL, JR.
COUNCIL MEMBER

MEMORANDUM

To: Louise Jones, Senior City Council Committee Clerk, Office of the Detroit City Clerk

From: Kenneth V. Cockrel Jr., ^{ilvc}Chair, Budget, Finance, and Audit Standing Committee, Detroit City Council

Date: February 29, 2012

Re: B.F.A. Standing Committee Discussion Calendar Amendment – **Update**

I am submitting this update to the Budget, Finance, and Audit Standing Committee Calendar. I have added a discussion on the questions posed to the Administration on the Fiscal Analysis Division's Report on the 2011 CAFR. **Due to the proximity of the upcoming budget session, I believe that the participation of the Administration is paramount to addressing the City of Detroit's long-term structural budget crisis.** I have also added a Discussion on the Greater Detroit Resource and Recovery Authority's 2010 – 11 Audited Statements. I thank you for your attention to this update.

Table 1
Budget, Finance, and Audit Committee Discussion Calendar Update

Audit / Presentation	Date	Time
Submitting report relative to Audit of the Department of Human Services New Beginnings Clothing Boutique, beginning July 2009 through September 2011 (Invitees: Auditor General, Department of Human Services, and Mayor's Office)	March 7, 2012	1:30 PM DLA DLA
Submitting report relative to Review of Fire Insurance Escrow Account. (Invitees: Auditor General, BSEED, Finance Department, Mayor Office)	March 14, 2012	1:30 PM DY
Review of CPO and RAD Report Summaries of Cumulative Weekly Reports for all contracts valued at \$5,000.00 – 25,000.00 awarded during the period of September 27, 2011 through January 1, 2012 (Informal Contracts Quarterly Report 3) (Invitees: Finance Department Purchasing Division, RAD, Chief Procurement Officer)	March 21, 2012	1:30 PM BLW

Audit / Presentation	Date	Time
Discussion of the Fiscal Analysis Division's report and review of the 2011 Comprehensive Annual Financial Report (CAFR) for the City of Detroit (Invitees: Chief Operating Officer, Chief Financial Officer, Budget Department, Fiscal Analysis Division, Fiscal Analysis Director)	March 21, 2012 Line item #7 on BFA's Calendar on 2-29-12	1:45 PM MMJ
Discussion on the RAD Report Relative to the Office of the Inspector General. (The Office of the Inspector General (OIG) was established by the voters with the adoption of the amended City of Detroit Charter, effective January 1, 2012) (Invitees: Auditor General, Budget Department, Law Department, City Council Research and Analysis Division, and Mayor's Office)	March 28, 2012	1:30 PM DLA
Discussion of the report regarding Fiscal Year 2010-2011 Overtime Expenditures and Employee Counts – Non-Public Safety Departments (Invitees: Fiscal Analysis Division, Finance Department, Department of Public Works, General Services Department, Human Resources)	March 28, 2012	1:45 PM MGW
Economic Vitality Incentive Program (EVIP) Compliance Progress Report – Phase 3 Labor Contract Pension and Benefits (Invitees: Mayor's Office - Chief Operating Officer, Labor Relations Director, Chief of Staff, and Fiscal Analysis Division)	April 4, 2012	1:30 PM BLW
Discussion of the Greater Detroit Resource and Recovery Authority 2010 -11 Audit (Price Waterhouse Cooper, GDRRA Administration, Mayor's Office, Research and Analysis Division, and Budget Department)	April 4, 2012 WALK-ON / TALK on @ BFA Standing Committee on 2-29-12	1:45 PM MGW

CC: Honorable Colleagues
Loren Monroe, Auditor General, Office of the Auditor General, City of Detroit
Mark Lockridge, Deputy Auditor General, Office of the Auditor General, City of Detroit
Irvin Corley Jr., Director, Fiscal Analysis Division, Detroit City Council
David Whitaker, Director, Research and Analysis Division, Detroit City Council
Julianne Pastula, Attorney, Research and Analysis Division, Detroit City Council
Thomas Stephens, Attorney, Research and Analysis Division, Detroit City Council
Krystal Crittendon, Corporation Counsel, Law Department, City of Detroit
Chris Brown, Chief Operating Officer, Office of the Mayor, City of Detroit

Kirk Lewis, Chief of Staff, Office of the Mayor, City of Detroit
Cheryl Johnson, Group Executive – Finance Director, Office of the Mayor, City of Detroit
Alfred Jordan, Group Executive – Utilities, Office of the Mayor, City of Detroit
Karla Henderson, Group Executive – Planning and Facilities, Office of the Mayor, City of Detroit
Nathan Ford, Director, Buildings, Safety, Engineering and Environmental Department (BSEED),
City of Detroit
Ron Brundidge, Director, Department of Public Works, City of Detroit
Brad Dick, Director, General Services Department, City of Detroit
John Prymack, Director, Greater Detroit Resource and Recovery Authority
The Auditing Firm of Price Waterhouse Coopers
Tonja Long, Assistant Corporation Counsel, Law Department, City of Detroit
Denise Gardner, Executive Assistant to the Mayor, Legislative Affairs, City of Detroit
Marcella Richardson, Assistant to the Mayor, Legislative Affairs, City of Detroit



MEMO

To: Brenda Jones
Chair, Internal Operations Committee

Kenneth V. Cockrel Jr.
Chair, Budget, Finance and Audit Committee

From: Councilman André L. Spivey

Date: February 28, 2012

RE: Committee Meeting Absence

Please be informed that I will be absent from the Internal Operations Committee Meeting and the Budget, Finance and Audit Committee Meeting scheduled for February 29, 2012. I will be in Lansing attending the Michigan Fitness Foundation Annual Legislation Education Day.

Thank You.

Cc: Colleagues

2/28/12 Received@table

**WEDNESDAY, FEBRUARY 29, 2012
BUDGET, FINANCE, AND AUDIT
STANDING COMMITTEE
1:00 P.M.**

**COUNCIL MEMBER KENNETH V. COCKREL, JR., CHAIRPERSON
COUNCIL MEMBER BRENDA JONES, VICE CHAIRPERSON
COUNCIL MEMBER ANDRE L. SPIVEY, MEMBER
COUNCIL PRESIDENT CHARLES PUGH, (EX-OFFICIO)**

COMMITTEE MEMBERS PRESENT:

Kenneth V. Cockrel, Jr. – CHAIR
Brenda Jones

COMMITTEE MEMBERS ABSENT:

Andre Spivey (Excused due to attending the Michigan Fitness Foundation Annual
Legislation Education Day in Lansing, Michigan)

The Council adjourned at 1:30 P.M.

Millicent Winfrey